



DEZAN SHIRA & ASSOCIATES

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IIT Subsidies in China's GBA: Filing Applications and To Do Checklist for Overseas Talents

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- Overview of IIT Policies in GBA
 - Introduction of 2020 IIT Subsidies
 - 2019 IIT Subsidies Application Sharing
 1. Shenzhen
 2. Dongguan
 3. Guangzhou
 - Outlook for 2020 IIT Subsidies Application

Overview of IIT Policies in GBA



Milestones

Since 2013

Zhuhai have been subsidizing Hong Kong and Macao residents working in Hengqin district for the IIT paid based on the tax difference between two places. The first subsidy (rmb38,000) was granted on March 19, 2014.

February 18, 2019

The Central Committee and the State Council released “Guangdong-Hong Kong-Macao Greater Bay Area Development Plan”.

March 15, 2019

The Ministry of Finance and the National Tax Bureau formulated "Notice on the Individual Income Tax Preferential Policies for Guangdong-Hong Kong-Macao Greater Bay Area".

June 22, 2019

The Guangdong Provincial Department of Finance and Tax Bureau promulgated "Notice on Implementing the Preferential Policies for Individual Income Tax in Guangdong-Hong Kong-Macao Greater Bay Area " .

Dec 31, 2020

Four Department* jointly released “Notice of Continuing to Implement Preferential Individual Income Tax Policies in the Guangdong-Hong Kong-Macao Greater Bay Area”.

The Guangdong Provincial Department of Finance ; Tax Bureau; Guangdong Provincial Department of Science and Technology; Guangdong Provincial Department of Human Resources and Social Security.

Main contents

Time

Issued by: 2020-12-31

Implemented on: 2020-01-01 to 2023-12-31

Subsidy

Formula: Subsidy amount= Tax paid in GBA-taxable income * 15%

Taxable income: 1,000,000

Income tax: 268,080 (27%)

Subsidy: : 268,080 - 100-000*15%= 118,080

GBA (nine cities)

Guangzhou, Shenzhen Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing.

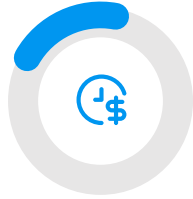
Target applicant

Hong Kong, Macao, Taiwan and overseas high-end talents and critically lacking talents working in GBA area

Introduction of 2020 IIT Subsidies (SZ/GZ/DG/FS)



Who can apply



Identity requirement

GZ/ DG/ FS	SZ (additional for SZ)
<ul style="list-style-type: none">• Permanent residents of Hong Kong or Macao;• Hong Kong residents who came to Hong Kong via the Hong Kong entry scheme for talents, professionals, and entrepreneurs;	<ul style="list-style-type: none">• Mainland residents who have settled down in Hong Kong or Macao and had cancelled their mainland hukou/household registration;
<ul style="list-style-type: none">• Residents of Taiwan	
<ul style="list-style-type: none">• Foreigners	<ul style="list-style-type: none">• Foreigners the taxable income is no less than RMB 500,000. (2019 practice)
<ul style="list-style-type: none">• Overseas Chinese returnee who have obtained the right of long-term residence abroad.• Overseas Chinese residing abroad.	

Who can apply



Working requirement

GZ/SZ/HZ/JM/ZQ

FS/ZS/ZH

GZ	FS	SZ	DG
<p>Work in GZ for > 90days (accumulatively)</p> <p>(less than 24h=0.5days)</p>	NA	Work in SZ for > 90days (accumulatively)	<p>1. For high-end talents: NA</p> <p>2. For critically lacking talents: more than 6 months (accumulatively)</p>
<ol style="list-style-type: none"> Applicants shall be employed by enterprises and other institutions registered in Guangzhou during the tax year, Applicants provide independent personal services in Guangzhou, Applicants engage in production and business activities in Guangzhou. 		<ol style="list-style-type: none"> The applicant has concluded a labor (employment) contract with an employer in Shenzhen, or If the applicant is dispatched by an overseas employer, the overseas employer of the applicant has concluded a dispatch contract with the accepting entity in Shenzhen. 	<ol style="list-style-type: none"> Applicants work in Dongguan during the tax year and pay taxes in Dongguan according to law. For critically lacking talents: <u>Signed a labor contract or labor service contract with the employer</u>; must still be on the job at the time of application. The relevant position and competency must be publicized within the company for more than 5 working days (inclusive), and there is no objection.



Who can apply



Others

GZ	FS	DG	SZ
<ol style="list-style-type: none"> The applicant shall abide by laws and regulations, research ethics and research integrity. The applicant shall not be primarily or directly responsible for the misconduct in the company or serving as the legal representative or person in charge. 			<ol style="list-style-type: none"> The applicant shall abide by laws and regulations, research ethics and research integrity. The employer of the applicant shall abide by laws and regulations.
			<p>The applicant has not enjoyed any one of below incentives/subsidies for talents in 2020:</p> <ol style="list-style-type: none"> Shenzhen Talent Award for Industrial Development and Innovation; Special fund for guiding talent development and guidance in Shenzhen Talent support funds for Shenzhen headquarters Enterprises.
<p>The applicant pay IIT in accordance with law and finish annual tax filling as required</p>			
<p>The applicant has a Class I (full-function) settlement bank account in mainland China (for accepting the fund)</p>			

Who can apply



Talent's requirement

GZ	FS	DG	SZ
Candidate of the state, provincial, or municipal major talent projects			
Overseas high-level talent recognized by the state, provincial, or municipal government			
holding “Guangdong talent card /Guangzhou Talent Green Card.	holding “Guangdong talent card or Foshan card A card or B card talents (YOUYUE card)	holding “Guangdong talent card or Dongguan Talent Card	holding “Guangdong talent card
Talent with work permit (Type A) or confirmation letter for foreign high-end talent.	Talent with permanent residency in China, work permit (Type A and Type B) or confirmation letter for foreign high-end talent.	Talent with work permit (Type A) or confirmation letter for foreign high-end talent.	Talent with permanent residency in China, work permit (Type A and Type B) or confirmation letter for foreign high-end talent.



Who can apply



Talent's requirement

GZ	FS	DG	SZ
<ul style="list-style-type: none"> • Senior management talents who have worked in internationally renowned financial institutions or internationally renowned accounting firms. 	<ul style="list-style-type: none"> • Talents who have obtained a doctorate degree or have post-doctorate experience; • Core members of the scientific and technological innovation team; 	<ul style="list-style-type: none"> • Holding important positions in advanced key enterprises • Holding professional license.. Physicians, lawyers, engineers, architects, accountants... 	<ul style="list-style-type: none"> • Managers above middle level, members of scientific research team, technical and skill backbones and excellent young talent who start business or are employed in key industries and fields to be developed in Shenzhen.
<ul style="list-style-type: none"> • Talents in Guangzhou critically lacking talents List (the taxable income is no less than RMB 300,000) 	<ul style="list-style-type: none"> • Talents in Foshan critically lacking talents List 	<ul style="list-style-type: none"> • Talents in Dongguan critically lacking talents List 	



Speaker: Lynn Shen

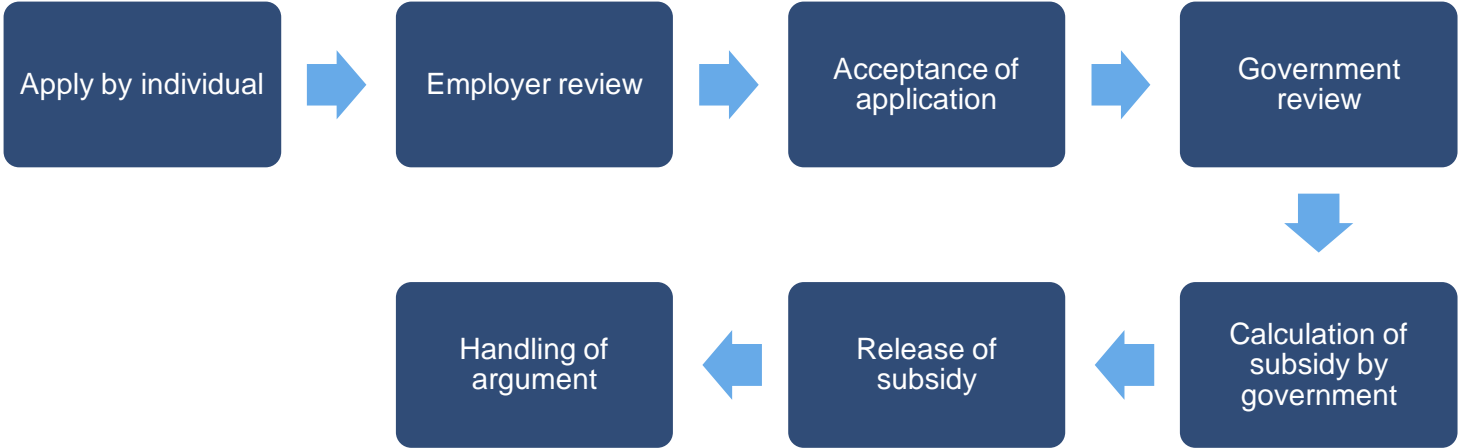
2019 IIT Subsidies Application Sharing

-Shenzhen



IIT subsidy policy in Shenzhen for 2019

Application and approval procedures (for employed overseas talent)



IIT subsidy policy in Shenzhen for 2019

Application and approval procedures (for employed overseas talent)



Apply by individual

- from 1st Aug 2020 to 31st Aug 2020, then got extended to 15th Sep 2020



Employer review

- from 1st Aug 2020 to 31st Aug 2020, then got extended to 15th Sep 2020



Acceptance of application

- within 5 working days after the application along with complete requested documents submitted

IIT subsidy policy in Shenzhen for 2019

Application and approval procedures (for employed overseas talent)



Government review

- within 120 days after the application was accepted, could extend for another 30 days if the government thought it's necessary



Subsidy Calculation and Release

- No detailed regulation on the time
- For the clients we helped apply, they all received the payment within Dec 2020



Handling of argument

- The applicant needs submit the argument within 30 days after received the subsidy
- The government needs complete the review on calculation within 60 days after the argument was received

Key reminders for subsidy application



The identity information of an applicant shall be consistent with what used for IIT filing, bank account opening etc.



Better get your IIT APP registered in case some confirmation may need to be made on it



Make sure your IIT filing for year 2020 is correct



If the applicant provides independent personal services in Shenzhen, the service contract in Shenzhen shall be required.

Key reminders for subsidy application



Where an applicant who meets the conditions for subsidy fails to file an application within the prescribed time limit of the current year, he may file an application retroactively within the time limit for applying for subsidy of the next year.

If he fails to make the application again within the time limit, the application shall not be accepted, and the subsidy shall not be granted.



If the applicant changed employer, the application shall be made through the employer which satisfies relevant conditions, and the applicant has worked for such employer for 90 days in the tax year (per the regulations for 2019 IIT subsidy)

Though the regulation says, the former employer shall cooperate in the application, not all companies would like to help, better check with them in advance to see whether they are willing to assist

Key reminders for subsidy application

- For IIT subsidy for year 2019, Shenzhen government stipulated to use a simple formula to calculate the amount of the subsidy, which could be simplified as:
 - IIT subsidy amount=IIT paid for 2019- taxable income of 2019*15%

But for the subsidy for 2020 and the following years (pending), per the regulation there will be 2 methods to compute the amount of the subsidy, including the simple formula used in 2019 IIT subsidy application and a more complicated one which could be simplified as:

- IIT subsidy amount=IIT paid for 2020-IIT of 2020 calculated per HK tax policy

Speaker: Jenny Tan

2019 IIT Subsidies Application Sharing

-Dongguan

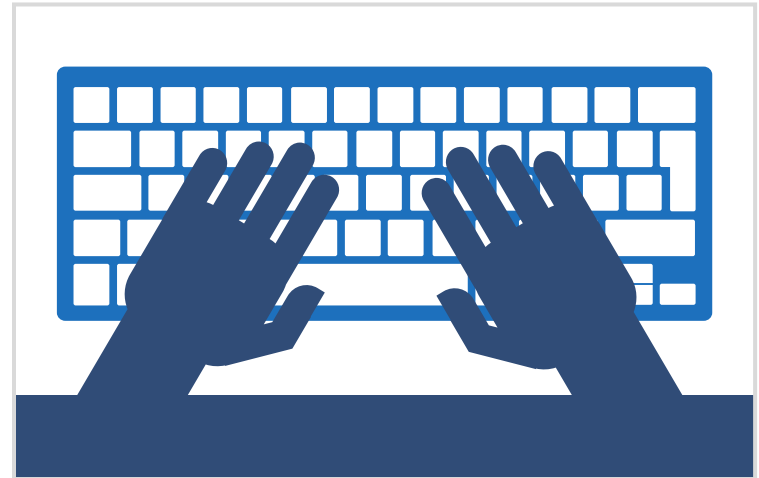


Case Sharing

In 2020, we have successfully helped one CFO in one Dongguan trading company to apply for IIT subsidy.

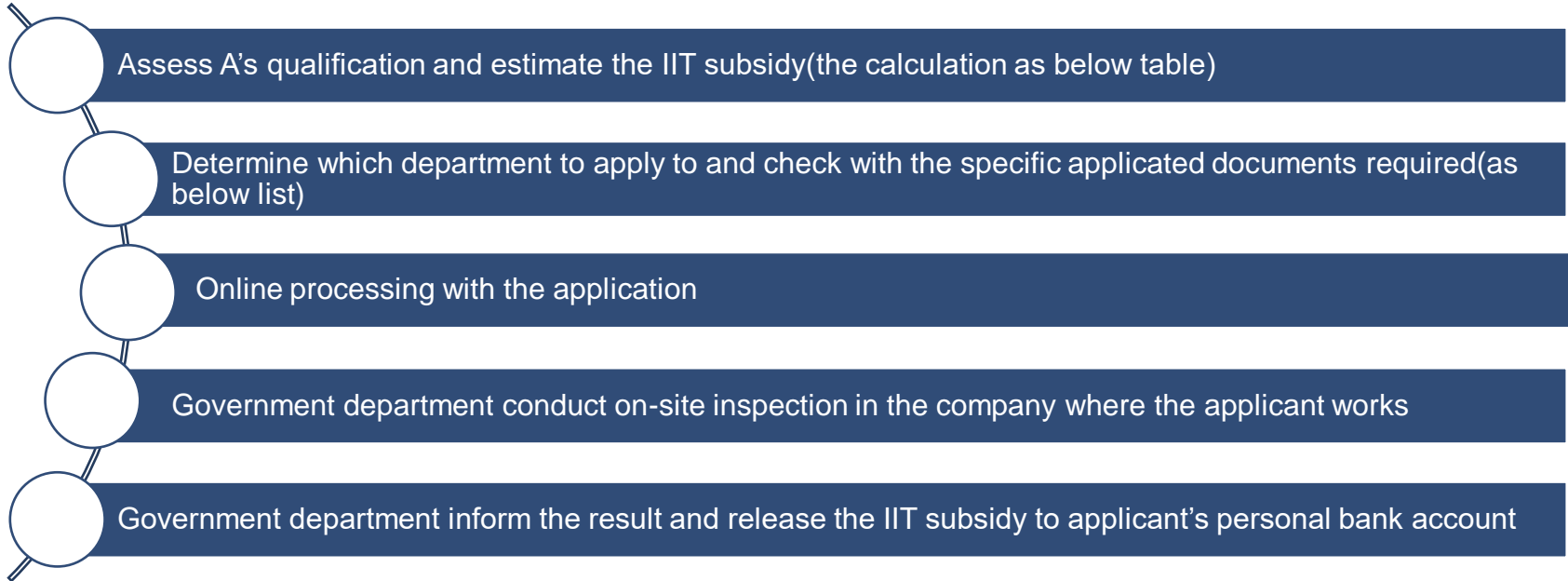
Applicant brief introduce:

1. Mr. A(foreigner) stays in China for more than 183 days in 2019,(qualified as Chinese tax resident), works for one DG trading company.
2. Annual salary: RMB700,000/ special deduction amount: RMB48,000 / Paid individual income tax: RMB592,000



Note: The procedure varies among different cities.

Application process



Case Calculation illustration

<u>Item</u>	<u>2019(RMB)</u>
Total income(A)	700,000.00
Deductions:(fixed)-(B)	60,000.00
Special deductions-C	48,000.00
Taxable income(D=A-B-C)	592,000.00
Individual Income Tax(E)	124,680.00
IIT subsidy(F)	$124,680 - 592,000 * 15\% = 35,880$



Application channel and documents required

Application channel:

Step1. Log in the E-tax bureau system of Natural person as below link screenshot [自然人电子税务局 \(chinatax.gov.cn\)](http://chinatax.gov.cn), Query personal tax data, personal tax data required to apply for subsidies, and obtain query serial numbers



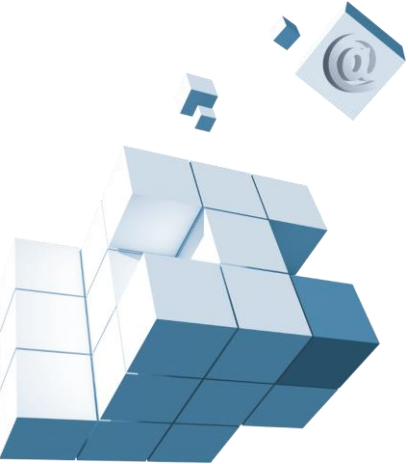
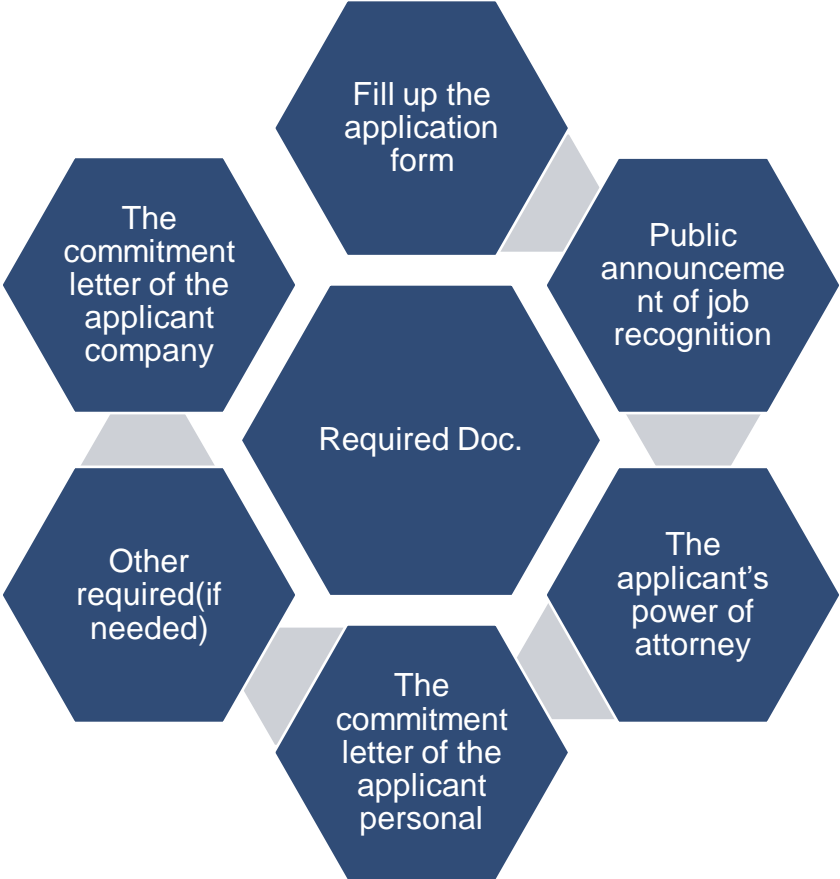
Application channel and documents required

Step 2. Fill in the relevant declaration information materials.

http://zwfw.dg.gov.cn/html/rcbt/apply_edit.html?itemCode=11441900MB2C8994323442111546000



Application required documents



Reminder of the application process



Applicants must first register with their real names before they can start normal operations online.



The whole procedure of IIT subsidy taken time was from 1ST Aug 2020 and the applicant receive the IIT subsidy on Dec end 2020.

Key reminder to the applicant



Where an applicant who are eligible but do not apply within the specified time can make up the application within the time of accepting the application in the following year, and if the application is overdue again, the application shall not be accepted, and the subsidy shall not be granted.

If the applicant's personal income tax is withheld by the withholding agent, the withholding agent will generally apply for the financial subsidy on behalf of the applicant. Applicants who pay personal income tax by their own declaration shall apply by his/her own.

2019 IIT Subsidies Application Sharing

-Guangzhou



Before application

Days in China & IIT Planning

1

A applicant

Work for GZ Company,
but stays in GZ for
less than 90 days

Non -tax resident

Did not do tax filling

Not qualified

2

B applicant

Stay in GZ for
Between 90-183 days

Non -tax resident

Did not do tax filling

Applied

3

C applicant

Stays in China for
more than 183 days

Tax resident

Did tax filling and
there is taxes refund

Applied after receiving
refund

4

D applicant

Stays in China for
more than 183 days

Tax resident

Change two passport

Did tax filling but there
are two passport with
two record

Applied after filling

During application

Materials preparing & requirement



Who to submit and How

1. In the name of company or in the name of applicant
2. Online or off-line?



Materials required

1. What kind of materials need to be submitted
2. What are the requirements the materials (Signature? Company chop? Legal representative signature?)



Problems in submission

1. Change three passports and have two company in 2019.
2. Different name on IIT filling / bank card /application. Can the subsidy be released to bank if the name is different?



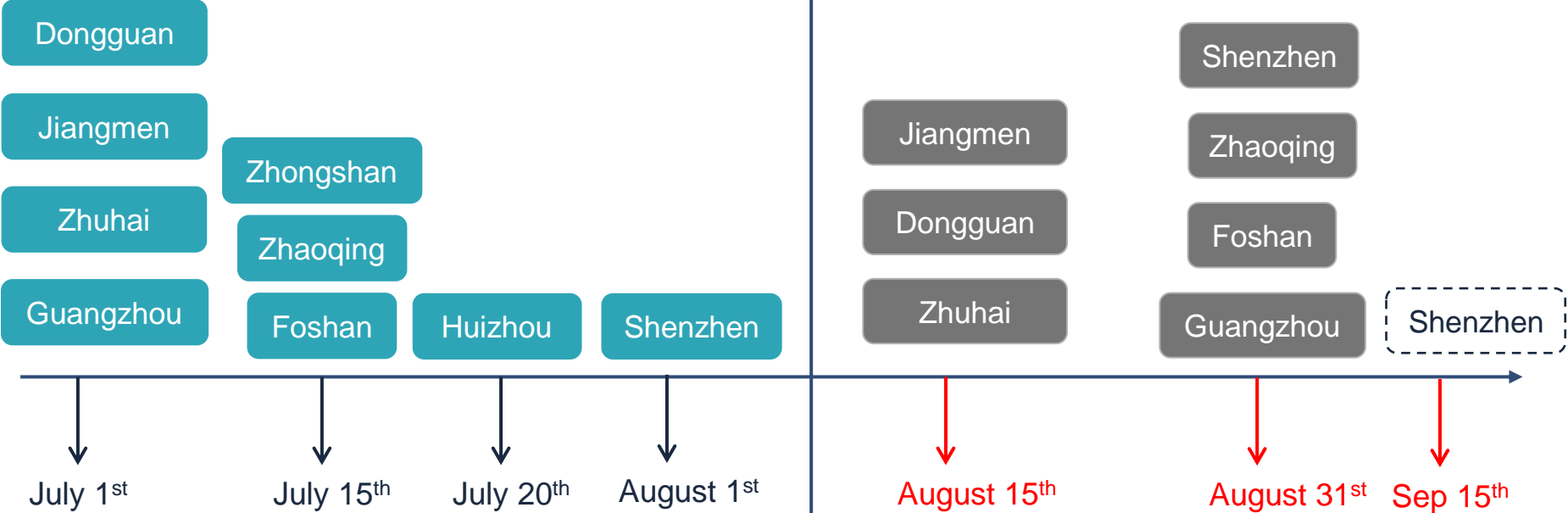
Following up problem

1. Usual supplementary requirement (Bank information/ Unclear scanned copy of the materials...)
2. How to repatriate the subsidy to home country

Outlook for 2020 IIT Subsidies Application



Timeline for 2020



How to prepare for the 2020 IIT subsidy

- **Check for requirement**
 - ✓ Do I meet the requirement?
 - ✓ Can I provide the required materials?
- **Health check for IIT status**
 - ✓ Have I declared and paid IIT correctly in 2020?
 - ✓ Have I finished the IIT annual filling as required?
 - ✓ Is my tax file qualified for the application?
- **Full Communication between employee & employer**
 - ✓ If my individual income tax is borne by my company, can I get the subsidy?



Kind reminder for the 2020 IIT subsidy

- **The earlier the better**

- ✓ Leave enough time for coordination & communication with employer.
- ✓ Leave enough time for correction, If the IIT declaration and filling is not qualified.
- ✓ If the application materials do not meet the requirement and are returned, can submit again before deadline

- **Search for professional help**

- ✓ Bridge between employer and employee
- ✓ Qualification assessment & IIT health check before application
- ✓ Materials preparation, checking, submission
- ✓ Communication with subsidies handling officials
- ✓ Monitoring and following up whole process
- ✓ Subsidies repatriate

Q&A



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